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Portugal

Grain and Feed

Tight Supply Situation Draws U.S. Grain into Portugal

2003

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Report Highlights:

Faced with poor domestic grain crops and tight supplies throughout Europe, Portuguese grain traders are scrambling to find alternative supplies. One of these is sorghum. Although sorghum has hardly been used in the past by the Portuguese feed industry, traders have purchased U.S. sorghum to mix in feed rations; some 27,000 tons are due to arrive shortly. Additional sales will depend on tariff and exchange rates. U.S. Hard Spring wheat sales have also been unusually strong in Portugal this year. 1 USD = 0.80 Euro.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Madrid [SP1]
[PO]

TIGHT SUPPLY CONDITIONS IN THE PORTUGUESE GRAIN MARKET

Affected by adverse weather conditions, Portugal's 2003 grain crops fell sharply from the previous year. According to the national statistics office (INE), 2003 output of durum and soft wheat were down by 55 and 45 percent relative to 2002 levels. Oats, rye, triticale and barley outputs fell by 30, 20, 45, and 55 percent. Although most corn is irrigated, last summer's hot weather hurt the crop, dropping production 10 percent. The rice crop was the only grain unaffected by the weather: the 2003 harvest was unchanged from 2002 levels.

Besides the short crops, grain prices have been boosted by unusually poor forage conditions (also due to the drought) and by the exceptionally short 2003 grain crops in both Western and Eastern Europe. Wheat prices are reported by the industry to have soared since the beginning of the 2003/04 marketing year and are now up to 50 higher than beginning-of-year levels. AgOffice trade sources report that French milling wheat is currently quoted at 167.5 €/ton FOB, equivalent to 187 €/ton, *Leixões*, CIF (182 € a week ago). British milling wheat for crackers is currently quoted at 187 €/ton, *Leixões*, CIF (180 €/ton a week ago).

The closing price gap between French and British wheat is another sign of the state the EU grains market is in. While the EU scarcity in wheat is driving up prices for all traditionally less-demanded wheat types, a recent British wheat stocks re-assessment is reported by the local trade to have caused a 5 UK pound/ton price increase on December 1. Trade sources also report that Spanish durum wheat delivered to millers factory gate is currently quoted at 195 €/ton (190-192 €/ton a week ago), and may reach 200 €/ton shortly.

Feed wheat has become a rarity in the local market. Portuguese feed mills have begun to compete with the flour milling industry for wheat, which has further contributed to drive up prices. Industry sources claim that feed wheat prices have already surpassed last year's levels for milling wheat and are approaching last year's durum prices. As milling margins have eroded, the local millers have been forced to tackle the sensitive issue of raising flour prices, which will ultimately impact bread prices. In fact, the bakers association has just announced that bread prices are to be increased by 35 percent at the beginning of January 2004.

The current grain market situation has aggravated supply conditions for the feed industry, which has raised prices of compound feed by some fifteen percent over the past two months. Though considerably higher-priced than a year ago, corn remains the most competitive feed grain, and is expected to displace large quantities of wheat in feed. Producer sources report that corn is currently sold by local Producer Organizations at 170 –175 €/ton, ex-factory gate (compared to 135-145 €/ton a year ago). French corn is currently sold at 185 €/ton (Lisbon Port, unloaded on truck); transportation costs from France into Portugal account for about 23 €/ton. The short EU corn supply has caused French corn prices to rise sharply, leading to the erosion of the usual price difference between French and local corn.

The shortage of locally-produced grains has also encouraged interest in lower-priced substitutes for traditionally used feed grains. Thanks to a 5-10 €/ton price advantage over corn, a 27,000 ton shipment of U.S. sorghum is due to arrive shortly in Portugal, the first of this magnitude in many years. Since Portuguese feed millers are unfamiliar with sorghum, further sales will depend on a continuation of sorghum's price discount to corn.

There are several factors that will affect this discount. First, the EU's import duty. The EU Commission recently raised the import duty of sorghum by 5 €/ton; it now stands at 13.49 €/ton (with a 2 €/ton abatement for Atlantic ports). Local traders say that the duty is being set artificially high as the EU underestimates the transportation costs in calculating the duty. The second factor is the value of the dollar against the euro. The recent weakness of the

dollar has helped maintain favorable price ratios between sorghum and traditional feed grains. Despite these uncertainties, local traders are bullish on sorghum's prospects; they believe that as much as 100,000 tons of sorghum could enter the Portuguese market in 2003/04.

Besides sorghum, near-future prospects for U.S. wheat exports into Portugal are have also significantly improved. Since the EU eliminated duties on high-protein wheat last July, local traders have been making unusually heavy purchases of U.S. Hard Spring wheat. As much 150,000 tons of U.S. HS could be imported during 2003/04 (compared to only 47,000 tons the previous year).

1 USD = 0.80 Euro

Commodity Name: Total Wheat

PSD Table

Country Commodity	Portugal					
	Total Wheat		(1000 HA)	(1000 MT)		
	2001	Revised	2002	Estimate	2003	Forecast
	[Post Estimate]		[Post Estimate]		[Post Estimate]	
Market Year Begin	Jul-01		Jul-02		Jul-03	
Area Harvested	184		231		180	
Beginning Stocks	40		40		40	
Production	154		434		203	
MY Imports	1455		1506		1410	
Jul-June Imports	1455		1506		1410	
Jul-June Imports from U.S.	20		47		150	
TOTAL SUPPLY	1649		1980		1653	
MY Exports	114		171		115	
Jul-June Exports	114		171		115	
Feed Dom.Consumption	595		869		598	
TOTAL Dom. Consumption	1495		1769		1498	
Ending Stocks	40		40		40	
TOTAL DISTRIBUTION	1649		1980		1653	

Import Trade Matrix

Country Portugal

Commodity: Total Wheat

Time period	Jul/June	Units:	Metric Tons
Imports for:	2001		2002
U.S.	20524	U.S.	46967
Others		Others	
France	551099	France	506399
Germany	362644	Germany	215174
Spain	99328	U.K.	205451
U.K.	67438	Spain	76492
Other EU	54525	Other EU	38134
Ukraine	186829	Ukraine	297430
Bulgaria	40851	Bulgaria	40041
Lithuania	38101	Russia	38206
Turkey	25674	Turkey	16423
		Kazakhstan	13480
Total for Others	1426489		1447230
Others not Listed	8322		12214
Grand Total	1455335		1506411

Export Trade Matrix

Country Portugal

Commodity: Total Wheat

Time period	Jul/June	Units:	Metric Tons
Exports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Spain	113930	Spain	167456
		U.K.	2497
		France	1000
Total for Others	113930		170953
Others not Listed	0		0
Grand Total	113930		170953

Commodity Name: Barley

PSD Table

Country Commodity	Portugal Barley		(1000 HA)(1000 MT)	
	2001 [Post Estimate]	Revised [Post Estimate]	2002 [Post Estimate]	Estimate 2003 Forecast [Post Estimate]
Market Year Begin	10/2001		10/2002	10/2003
Area Harvested	12		11	8
Beginning Stocks	0		9	0
Production	13		20	9
MY Imports	412		288	289
Oct-Sep Imports	432		250	290
Oct-Sep Imports from U.S.	0		0	0
TOTAL SUPPLY	425		317	298
MY Exports	58		9	5
Oct-Sep Exports	58		5	5
Feed Dom.Consumption	195		145	130
TOTAL Dom. Consumption	358		308	293
Ending Stocks	9		0	0
TOTAL DISTRIBUTION	425		317	298

Import Trade Matrix

Country Portugal

Commodity: Barley

Time period	Jul/June	Units:	Metric Tons
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Germany	135474	Germany	102763
France	97540	U.K.	81696
U.K.	79966	France	55752
Spain	61440	Spain	40288
Other EU	7142	Other EU	7415
Brazil	28238		
Bulgaria	2634		
Total for Others	412434		287914
Others not Listed	0		0
Grand Total	412434		287914

Export Trade Matrix

Country Portugal

Commodity: Barley

Time period	Jul/June	Units:	Metric Tons
Exports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Spain	57618	Spain	8939
Total for Others	57618		8939
Others not Listed	0		0
Grand Total	57618		8939

Commodity Name: Rye

PSD Table

Country Commodity	Portugal Rye		2002	Estimate	(1000 HA)(1000 MT)
	2001	Revised			2003 Forecast
Market Year Begin	10/2001			10/2002	10/2003
Area Harvested	38			34	34
Beginning Stocks	0			0	0
Production	24			34	28
MY Imports	19			20	27
Oct-Sep Imports	17			20	27
Oct-Sep Imports from U.S.	0			0	0
TOTAL SUPPLY	43			54	55
MY Exports	1			0	0
Oct-Sep Exports	0			0	0
Feed Dom.Consumption	0			0	0
TOTAL Dom. Consumption	42			54	55
Ending Stocks	0			0	0
TOTAL DISTRIBUTION	43			54	55

Import Trade Matrix

Country Portugal

Commodity: Rye

Time period	Jul/June	Units:	Metric Tons
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Germany	15907	Spain	8494
Spain	2981	Germany	4576
Other EU	2	Italy	1563
		Other EU	2
		Ukraine	5187
Total for Others	18890		19822
Others not Listed	0		0
Grand Total	18890		19822

Export Trade Matrix

Country Portugal

Commodity: Rye

Time period	Jul/June	Units:	Metric Tons
Exports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Spain	704	Spain	28
Total for Others	704		28
Others not Listed	0		0
Grand Total	704		28

Commodity Name: Sorghum

PSD Table**Country****Portugal****Commodity****Sorghum**

(1000 HA)(1000 MT)

2001 Revised

2002 Estimate

2003

Forecast

Market Year Begin	10/2001	10/2002	10/2003
Area Harvested	38	34	34
Beginning Stocks	0	0	0
Production	0	0	0
MY Imports	1	1	100
Oct-Sep Imports	1	1	100
Oct-Sep Imports from U.S.	0	0	100
TOTAL SUPPLY	1	1	100
MY Exports	0	0	0
Oct-Sep Exports	0	0	0
Feed Dom.Consumption	0	0	99
TOTAL Dom. Consumption	1	1	100
Ending Stocks	0	0	0
TOTAL DISTRIBUTION	1	1	100

Import Trade Matrix

Country Portugal

Commodity: Sorghum

Time period	Jul/June	Units:	Metric Tons
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Spain	536	Spain	909
France	458	France	375
Other EU	161	Other EU	33
Egypt	21		
Total for Others	1176		1317
Others not Listed	0		0
Grand Total	1176		1317

Export Trade Matrix

Country Portugal

Commodity: Sorghum

Time period	Jul/June	Units:	Metric Tons
Exports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Spain	50	Spain	38
Total for Others	50		38
Others not Listed	0		0
Grand Total	50		38

Commodity Name: Oats

PSD Table**Country****Portugal****Commodity:****Oats**

(1000 HA)(1000 MT)

2001 Revised 2002 Estimate 2003 Forecast

Market Year Begin	10/2001	10/2002	10/2003
Area Harvested	61	57	65
Beginning Stocks	0	0	0
Production	39	61	43
MY Imports	11	14	15
Oct-Sep Imports	13	14	15
Oct-Sep Imports from U.S.	0	0	0
TOTAL SUPPLY	50	75	58
MY Exports	0	0	0
Oct-Sep Exports	0	0	0
Feed Dom.Consumption	4	28	11
TOTAL Dom. Consumption	50	75	58
Ending Stocks	0	0	0
TOTAL DISTRIBUTION	50	75	58

Import Trade Matrix

Country Portugal

Commodity: Oats

Time period	Jul/June	Units:	Metric Tons
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Spain	3760	U.K.	12100
U.K.	3475	Spain	1522
Germany	2640	Other EU	70
Other EU	736		
Australia	119		
Total for Others	10730		13692
Others not Listed	0		0
Grand Total	10730		13692

Export Trade Matrix

Country Portugal

Commodity: Oats

Time period	Jul/June	Units:	Metric Tons
Exports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Spain	231	Spain	382
Total for Others	231		382
Others not Listed	0		0
Grand Total	231		382

Commodity Name: Rice, Milled

PSD Table

Country Commodity	Portugal		(1000 HA)(1000 MT)			
	2001	Revised	2002	Estimate	2003	Forecast
Market Year Begin	10/2001		10/2002		10/2003	
Area Harvested	25		25		25	
Beginning Stocks	25		25		25	
Production (Rough)	146		146		146	
Milling Rate	0,70		0,70		0,70	
Production (Milled)	102		102		102	
MY Imports	80		95		91	
Jan-Dec Imports	101		86		91	
Jan-Dec Imp from U.S.	0		0		1	
TOTAL SUPPLY	207		222		218	
MY Exports	7		11		10	
Jan-Dec Exports	8		9		10	
Domestic Consumption	175		186		188	
Ending Stocks	25		25		20	
TOTAL DISTRIBUTION	207		222		218	

Import Trade Matrix

Country Portugal

Commodity: Rice

Time period	Jul/June	Units:	Metric Tons
Imports for:	2001		2002
U.S.	0	U.S.	530
Others		Others	
Spain	14367	Spain	25162
France	8767	France	8335
Other EU	3865	Other EU	1933
Guiana	47463	Guiana	52517
Suriname	2894	Suriname	3319
Total for Others	77356		91266
Others not Listed	3094		3245
Grand Total	80450		95041

Export Trade Matrix

Country Portugal

Commodity: Rice

Time period	Jul/June	Units:	Metric Tons
Exports for:	2001		2002
U.S.	1	U.S.	11
Others		Others	
Belgium	3456	Belgium	6644
Spain	2098	Spain	1959
Netherlands	997	Netherlands	1325
U.K.	364	U.K.	238
Other EU	331	Other EU	378
Angola	97		189
Total for Others	7343		10733
Others not Listed	38		45
Grand Total	7382		10789

Commodity Name: Corn

PSD Table**Country****Portugal****Commodity:****Corn**

(1000 HA)(1000 MT)

2001 Revised

2002 Estimate

2003

Forecast

[Post Estimate]

[Post Estimate]

[Post Estimate]

Market Year Begin

10/2001

10/2002

10/2003

Area Harvested	155	139	139
Beginning Stocks	216	210	210
Production	907	790	711
MY Imports	1077	1073	1168
Oct-Sep Imports	1127	1060	1168
Oct-Sep Imports from U.S.	0	0	0
TOTAL SUPPLY	2200	2073	2089
MY Exports	7	10	9
Oct-Sep Exports	10	9	9
Feed Dom.Consumption	1873	1743	1790
TOTAL Dom. Consumption	1983	1853	1900
Ending Stocks	210	210	180
TOTAL DISTRIBUTION	2200	2073	2089

Import Trade Matrix

Country Portugal

Commodity: Corn

Time period Jul/June Units: Metric Tons
 Imports for: 2001 2002
 U.S. 0 U.S. 0
 Others Others

France	538294	France	482457
Spain	135784	Spain	63937
Other EU	4576	Other EU	2797
Argentina	290307	Argentina	444904
Brazil	86310	Brazil	78368

Total for Others 1055271 1072463
 Others not Listed 21554 773
 Grand Total 1076825 1073236

Export Trade Matrix

Country Portugal

Commodity: Corn

Time period Jul/June Units: Metric Tons
 Exports for: 2001 2002
 U.S. 0 U.S. 0
 Others Others

Spain	6900	Spain	9207
Other EU	2	Other EU	26
Angola	138	S.Tome & Prince	88
S.Tome & Prince	87	Cape Verde	82

Total for Others 7127 9403
 Others not Listed 60 101
 Grand Total 7187 9504